

Regulators' role in the age of the globalization paradox

Closing remarks by
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at the Launch Event for the EU-Asia Pacific Forum on Financial Regulation
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Thank you for the introduction. Good morning, everyone.

Let me start my remarks with my Brexit day experience.

In the evening of Friday June the 24th, the day the outcome of the Brexit vote was confirmed and published, members of the IOSCO Asia Pacific Regional Committee held a conference call to compare notes on what was happening in the regions' capital markets.

The European Securities and Markets Authority, ESMA, and the UK Financial Conduct Authority, FCA, also kindly joined the call. In spite of a very short notice, the call was well attended.

Before the call, I naively imagined that other Asian markets would have been affected as much as the Tokyo one, Europe would be worse, and London worst.

During the call, however, I found that Tokyo, Frankfurt, and Paris were equally badly hit, all the other Asian markets were much better off, and, in London, FT 100 performed even better than Asian indices.

I think this somewhat counterintuitive outcome illustrates how complex the web of interconnectedness is in the world we live in.

More and more goods, services, people, information and money flow across borders. The benefit of the globalization continues to grow exponentially, but the side effects of globalization grow as well. I believe the net benefit is enormous, but the anti-globalization sentiments grow together with the increase in the gross size of the side effects.

Economic historians argue that the latter half of the 19th century and early 20th century were another period of rapid globalization, but we all know that it ended up with the Second World War.

We need to cope with this age of paradox where globalization reinforces anti-globalization. We need to do so by mitigating side effects using the regulatory power which are scattered across nation states, regional unions and global standard setters. This is indeed a painful process. One regulatory response tends to create another cross-border inconsistencies and further side effects.

The panel discussion this morning may have given you some flavor of the painfulness. If it is painful for regulators, however, it should be all the more so for the industry, who need to abide by conflicting regulations without knowing when the reconciliation will happen, and, more importantly, the pain might also be felt by customers in the form of limited availability of services or increased cost.

We, however, need to be patient: There is no easier way other than to solve problems one by one. We also need to be effective: If we are caught up in bureaucratic inefficiencies or political gaming, then the risk of repeating the history of the last globalization cycle may become a reality. G20 leaders have encouraged jurisdictions to defer to each other as much as possible. We need to facilitate deference by better communication and mutual trust.

In this regard, this EU-Asia Pacific Forum on Financial Regulation has an important role to play. I therefore believe we cannot thank enough Ashly Alder, who started this initiative, Olivier Guersent and other European colleagues, who kindly accepted the proposal, and Lee Boon Ngiap, whose leadership was indispensable in making this happen.

We already had a fruitful dialogue this morning. I hope the forum this afternoon will further the cooperation, and mark a start of a good continued dialogue between EU and Asia-Pacific capital market regulators.

Thank you.